

PYRAMID SCHEMES ON THE TIBETAN PLATEAU

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ABSTRACT

The unique features of pyramid shemes and certain underlying causes for their development on the Tibetan Plateau are analyzed. Research was conducted by analyzing 521 surveys, allowing estimation of pyramid scheme activity on the Plateau and an identification of related cultural and social specificities. Firsthand accounts were collected revealing details of personal involvement. Survey data and similarities in the accounts were studied to suggest how involvement in pyramid schemes might be reduced at both institutional and individual levels.

KEYWORDS

education in Tibet, job market in Tibetan areas, pyramid schemes, resettlement, Tibetan Plateau

INTRODUCTION

The Tibetan Plateau is currently undergoing dramatic economic change, driven largely by the government's desire to modernize Tibet and balance the disparity between China's coastal and inland marketplaces. The accelerating drive towards a market economy in western China has separated many Tibetans from their traditional subsistence lifestyle. Younger generations on the Tibetan Plateau are thus increasingly vulnerable to pyramid scheme involvement because of a strong desire for employment beyond the subsistence sector, poorly developed job acquisition skills, and limited education that leads to bleak career prospects.

We analyze key factors in the growing success of pyramid schemes on the Tibetan Plateau. We also discuss the general situation of pyramid schemes in China and how the government regulates them, examine conditions that are reshaping Tibetan lifestyles, provide and review seven narrative accounts of involvement in pyramid schemes, and offer suggestions on institutional reforms that might limit personal involvement in pyramid schemes. We also make suggestions on how to avoid pyramid scheme traps.

PYRAMID SCHEMES IN CHINA

Pyramid schemes began booming in China in the mid 1990s, when the economic base shifted from small-scale agriculture requiring little formal schooling, to one placing greater emphasis on workforce positions in domestic and international business that require formal educational qualifications.¹ Vause (2009) estimates that over ten million people in China are currently involved in pyramid schemes.²

Pyramid schemes in China have certain unique features when compared to the US, where they are largely based on inventory loading. This technique requires a new recruit to buy a large

¹ http://www.usatoday.com/money/world/2009-09-07-chinafraud_N.htm, accessed 15 April 2012.

² http://articles.cnn.com/2009-11-29/world/china.pyramid.cult_1_pyramid-schemes-new-investors-cult?_s=PM:WORLD, accessed 17 April 2012.

inventory of goods to sell as a condition of employment.³ Once the goods have been purchased, the recruit is encouraged to find new members, and receives a bonus for each new member they find. Instead of receiving a salary, new members who purchase the large inventory of goods generate income by selling their inventory or from bonuses received from finding new members. Since the goods they purchased in the original inventory are not easily sold, very few goods ever actually make it to market, and new members therefore must find new members in order to cover their losses from the original investment.

Pyramid schemes in the US have become increasingly common on the internet, which removes much of the costs associated with recruitment and marketing. Now, "scam artists can establish and maintain a site on the World Wide Web for \$30 a month or less, and solicit anyone in the world with Internet access."⁴ This removes postage and travel costs.

Inventory loading is less common in China, where fear and forced confinement by pyramid scheme leaders predominate. The internet is also used less in recruitment than in the US, where it is rare for pyramid scheme victims to be required to move or threatened by employers. In China, victims are typically taken to remote places for training and work. Upon arrival, their cell phones and, in some cases, ID cards are taken. Participants are assigned rooms that they must keep neat. The activities at the 'military-style' dorm locations usually focus on classes and lectures intended to create an unquestioning belief in the fabrications presented by the organization.⁵

Participants are encouraged to feel highly integrated with other participants, who often sing, play games, eat, and listen to motivational lectures together. These activities contribute to a feeling of belonging to a community, which makes the prospect of receiving a return on investment easier to believe. Those who join these schemes and begin to realize that they are fake may try to leave, but are told

³ <http://www.ftc.gov/speeches/other/dvimf16.shtm>, accessed 15 April 2012.

⁴ <http://www.ftc.gov/speeches/other/dvimf16.shtm>, accessed 15 April 2012.

⁵ <http://www.ftc.gov/speeches/other/dvimf16.shtm>, accessed 15 April 2012.

that they cannot. In some cases, pyramid scheme operators threaten to harm the family members of participants who attempt to leave.

To enhance the scheme's apparent legitimacy, it is common for schemes to reference such important people as Hillary Clinton⁶ or Deng Xiaoping.⁷ Pyramid scheme operators usually argue that famous and important people became powerful and rich through organizations like theirs. In some cases, they argue that the Chinese government supports organizations like Amway⁸ and, therefore, supports their organization. Sometimes schemers admit that their work is not legal by saying, for example, that their organization is "in a gray area and not yet legal. Once legalized, it wouldn't be so profitable, but right now you could make profits of 60 percent."⁹

Pyramid schemes have had extraordinary success in China. In 2008, "a fertilizer scam conned 380,000 people. In 2007, a cosmetics fraud involved half a million people."¹⁰ The Chinese government made participation in pyramid schemes a punishable crime in 1998 and founded a program called the Anti-Pyramid Scheme Office, which locates and closes these organizations.¹¹ Hayes mentions two cases where people have been executed for involvement in pyramid schemes. One case was "in February 2007," when "a businessman named Wang Zhendeng, was sentenced to death for swindling 36,000 investors in twelve towns in northeastern Liaoning Province," and another in "August 2009," when:

⁶ <http://www.ftc.gov/speeches/other/dvimf16.shtm>, accessed 15 April 2012.

⁷ <http://www.npr.org/templates/story/story.php?storyId=99493406>, accessed 19 April 2012.

⁸ Amway is an international company that recruits employees to invest in selling different products. Each new employee usually takes on a certain amount of risk, because their salary is proportional to the amount they sell. In some cases, people may lose their original investment if they do not sell the items that they purchased from Amway. Amway employees can generally make a living by selling Amway products, unlike pyramid schemes which are designed to profit high ranking employees.

⁹ <http://www.npr.org/templates/story/story.php?storyId=99493406>, accessed 19 April 2012.

¹⁰ <http://www.npr.org/templates/story/story.php?storyId=99493406>, accessed 19 April 2012.

¹¹ http://usa.chinadaily.com.cn/business/2011-03/21/content_12203994.htm, accessed 15 April 2012.

two businessmen charged with defrauding hundreds of investors of more than \$127 million were executed. The Supreme Court upheld the sentence saying, the businessmen had 'seriously damaged the country's financial regulatory order and social stability.'¹²

Information about schemes is often difficult to find and verify. People who were scammed by pyramid schemes are typically unwilling to talk about their experience because they are embarrassed, or because they worry that they might be punished for being involved. Despite these challenges, "the State Administration of Industry and Commerce broke up 10,980 pyramid schemes between 2006 and September 2009."¹³ In 2006, a non-governmental organization called the China Anti-Pyramid Selling Association was created by former victims of pyramid schemes. This group currently tries to locate pyramid schemes and helps victims escape them. In one case, a man working for such an organization was stabbed by both the victim and the scheme worker for his attempt at intervention.¹⁴

PYRAMID SCHEMES ON THE TIBETAN PLATEAU

To investigate the impact of pyramid schemes on the Tibetan Plateau, we administered 521 surveys to senior middle school and university students in Xining City and Tongren Town in Qinghai Province. This cohort was chosen because such people are more actively seeking employment outside the subsistence sector. Students surveyed came from throughout China, but the vast majority were from Qinghai. The two statistically significant ethnicities surveyed were Tibetans (271) and Han Chinese (192). Although members of other ethnicities were surveyed (Mongol, Hui, Lisu, Bai, Miao, Mongour [Tu], and others), the numbers were statistically insignificant. Since all participants were students, and most were university students, there were limiting

¹² <http://factsanddetails.com/china.php?itemid=302>, accessed 16 April 2012.

¹³ <http://www.patrickpretty.com>, accessed 18 April 2012.

¹⁴ <http://www.patrickpretty.com>, accessed 18 April 2012.

factors, e.g., the average age was only twenty-one and the majority of participants were in their early twenties. Furthermore, all surveys were done in Xining and Tongren. It was impossible to accurately assess the socioeconomic factors that might impact participants from particular villages or townships.

Our research suggests three primary factors for the success of pyramid schemes in Western China: a strong need for employment beyond the subsistence sector, poor development of job acquisition techniques, and poor education and career path development.

Sixty percent of the Tibetan respondents described their parents' main source of income as farming, herding, or caterpillar fungus.¹⁵ None of the Han respondents claimed caterpillar fungus or herding as a major source of income, and only twenty-six percent listed farming as a major income source. These indicators emphasize that the economies of these two groups are significantly different.

FIGURE 1. Major sources of income.

Ethnicity	Business	Teaching	Science	Farming	Herding	Government Work	Migrant Labor	Caterpillar Fungus	Other
Tibetan	10%	7%	1%	35%	19%	7%	11%	6%	3%
Han	18%	6%	3%	26%	0%	10%	18%	0%	19%

Recent changes in China's political and economic landscape have profoundly impacted the overall profitability and sustainability of farming for most Tibetans. Goldstein et al. (2008) note five reasons for a strong push towards finding income outside the farming environment. The first two are the consequence of farmers not technically owning land, but rather leasing it from the government. Since land cannot be bought or sold it is difficult to expand land, and far more likely that land is lost to public projects like road building

¹⁵ A fungus that grows in and eventually kills certain caterpillars. It is dug seasonally on the Tibetan Plateau and sold for high prices as a medicinal substance.

and the construction of new houses. The third is disproportionate inflation affecting the price of products that farmers purchase, but not the price of goods they sell. This increases basic living needs beyond the return on the goods farmers sell. Fourth, the accelerating movement towards a market-based economy in China has removed much-needed subsidies and increased the overall costs of such public necessities as healthcare and schooling. Finally, farmers cannot increase yields, as explained by Goldstein et al. (2008:519-520):

[V]illagers were already using new high yield strains of winter wheat and heavy applications of chemical fertilizers and insecticides and there was virtually no 'virgin' land that could be opened to increase production.

These factors encourage children to leave farms and find work elsewhere. Goldstein et al. (2008:519-520) note that, "In Norgyong [a village in his study] the number of households with at least one member earning income grew from 43% in 1997 to 90% in 2005, an increase of 110%."

For families whose primary income comes from pastoralism, recent changes to the pastoral lifestyle have also affected the success of pyramid schemes. There have been three sedentarization programs: Turning Pastureland Into Grassland, Ecological Resettlement, and Nomadic Resettlement, whose primary aim, according to state discourse is to "bring the poor west up to the affluent standard of the east" and to "monitor the grassland conditions and to assure a restoration of the grassland vegetation" (Ptackova 2012:229). These programs offer herding families the opportunity to adopt an urban lifestyle by providing annual stipends and subsidies on housing projects. In most cases, poor families with few animals are initially attracted to these programs. In order to participate, families must sell their livestock and waive most of their rights to the grasslands. However, after "giving up the land and livestock which formerly provided much of their subsistence needs, their daily costs for basic needs rise enormously," and pastoralists soon realize that "everything must be purchased with cash," and "their modest government subsidy cannot cover daily expenditures" (Ptackova 2012:229).

Resettled pastoralists thus need to find alternative sources of income. The original sedentarization plan included providing vocational training to help with the transition in finding new jobs. Ptackova (2012:228) notes that:

the implementation reports by local governments often conceded that the available funds are not sufficient to cover necessary costs for the vocational training of resettled pastoralists, nor for establishing the required capital investments to enable them to start new businesses. The insufficient funding even causes shortfalls to the formally scheduled subsidies.

Since newly resettled families lack investment capital from the government, they must use "their own saving as investment capital or seek work at state construction sites in the region" (Ptackova 2012:228). As will be noted later, competition for construction jobs can be fierce, especially because the migrant workers with whom pastoralists compete generally speak Chinese much better than the pastoralists. This situation puts resettled families in the vulnerable position of using their remaining capital for new investments, hopefully resulting in income. Furthermore, the job market is inhospitable to resettled herders, whose skills relate only to herding.

These strong shifts in economic livelihood have created problems that prove advantageous to pyramid schemes throughout the region. The need to find jobs outside the village is unprecedented for many young people and the extent to which they can receive informed advice from their family and school is insufficient to provide the awareness needed to avoid pyramid schemes.

The first problem is in the initial search for a new job. Goldstein et al. (2008: 522) note that:

there are no organized government or private programs to help rural villagers find work, so each household has to arrange its own jobs. This is commonly done through friends, relatives, subcontractors, and contacts from previous job sites.

In the surveys distributed, thirty-five percent of Tibetan participants claimed that their first resource for finding a new job was friends and

family and the second most common way (twenty-eight percent) was to walk around town. In contrast, the most common way for Han Chinese to find new jobs was to use the Internet (thirty-four percent).¹⁶ In all of the accounts that follow, victims became involved in pyramid schemes through a friend or relative.

The statistical prevalence of searching for jobs through friends and family members among Tibetan participants is problematic because pyramid schemers typically begin recruitment with friends and family who are looking for employment. In Account Two, for example, a pyramid scheme demanded that a new recruit call all friends and family members who might be looking for work. Finding jobs through close contact networks is commonplace and thus is not viewed as suspicious, and results in higher recruitment rates.

A second issue is the perception that jobs requiring investment are more profitable, and that it is acceptable to make an initial investment for a job. The most common manifestation of this has been noted in the rapidly increasing trend of purchasing trucks for work. Goldstein et al. (2008:530) note that the "shift in thinking toward more capital-intensive means for improving one's economic standing" is largely facilitated by:

the Agricultural Bank of China (ABC), which is providing households with easy credit for capital investments as well as private improvement projects such as building new homes or renovating old houses. Many households now have ABC lines of credit that allow them to get loans quickly and without guarantors. A 'gold line of credit' allows a household to get 30,000 Yuan (\$3,947).

In our survey, ten percent of Tibetan participants said that it was acceptable to pay an initial investment for some jobs, and eight percent of Tibetan participants said that it was acceptable to pay an initial investment for any job.

Finally, Tibetans generally lack information about pyramid schemes, which helps explain the success of such schemes. In our

¹⁶ The Internet is also a potential source for pyramid scheme recruitment. However, it seems much more common for people to embrace pyramid schemes if friends or relatives make the suggestion.

survey, only twenty-six percent of Tibetan participants said they knew what a pyramid scheme was, sixty-three percent said that they had heard the term before but did not know what it was, and ten percent said they had never heard the term before.¹⁷ It is worth noting that forty-seven percent of Han Chinese participants, almost twice the amount of Tibetans, were aware of pyramid schemes. Furthermore, among both Han Chinese and Tibetan groups, people were least likely to learn about pyramid schemes from school, suggesting that education about pyramid schemes could be incorporated in the classroom. It is also notable that there is a significant difference between Tibetans and Han Chinese in terms of learning about pyramid schemes from reading. This suggests a need for more Tibetan-language articles warning young Tibetans about the dangers of pyramid schemes.

FIGURE 2.

	Know about pyramid schemes	Do not know about pyramid schemes	Only heard the term
Tibetan	26%	10%	63%
Han	47%	4%	49%

FIGURE 3.¹⁸

	Learned from:			
	Family	friends	school	reading
Tibetan	6%	11%	4%	4%
Han	9%	12%	2%	23%

In addition to the educational problems contributing to the success of pyramid schemes, other factors are created by constraints on Tibetan employment availability. With reduced job availability, those seeking employment are more desperate to find jobs and are thus more likely to believe the representations of pyramid schemers.

¹⁷ Language was not a possible reason for not knowing what a pyramid scheme was, because the word was translated for participants into Chinese, Tibetan, and English.

¹⁸ Figure 3 adds up to less than one hundred percent because it only includes people who claimed to know about pyramid schemes.

Wang (2007) suggests that the lack of job opportunities is not caused by a lack of economic investment in the region, but by the "unrestricted influx of non-Tibetan migrant laborers" (Wang 2007:135). Outsiders are more successful than locals because, first, education in western China places heavy emphasis on tests and less emphasis on practical skills. Second, the move towards a more market-based economy in China has "increased the competitiveness of the job market and the poor economic situation in Tibetan areas of China has not created sufficient job opportunities for graduates" (Wang 2007:135). The third and perhaps most problematic reason is the significant language barrier between locals and contractors, who prefer to employ Chinese-speakers (Wang 2007:140). These problems create an environment where finding an outside job is increasingly difficult and young people are more easily persuaded by deceptive claims to quick and easy wealth through employment in pyramid schemes.

Tibetan farmers find that agricultural income is increasingly insufficient to meet their needs. For farmers, market forces affecting the overall profitability of selling crops and limitations on growth push younger people within the family to find non-farm work. State-sponsored sedentarization programs have proletarianized many pastoralists. As a result, newly relocated families are put in a desperate situation where they must find jobs in an inhospitable market without relevant practical skills. The desperate need to find jobs in a highly competitive marketplace, the failure of education to prepare graduates to compete in the job market, the acceptability of using investments for a new job, and the predominance of finding jobs through personal networks contribute to Tibetans' susceptibility to pyramid schemes.

NARRATIVE ACCOUNTS FROM PYRAMID SCHEME VICTIMS

The following seven accounts about victims of pyramid schemes throughout western China were originally recorded in Tibetan or Chinese and then translated into English.

Account One (male, b. ~1992, Deqing Tibetan Autonomous Prefecture, Yunnan Province).

I ran a small store in Shangri-la. I was very interested in skating and wanted to find some friends to start a club. One day some youths came to my shop and asked me about skating. They seemed really interested in it. Since we had the same interest, we became friends. Later, they asked me to hang out with them, and we started seeing each other every day. They told me that they were working for a company, but didn't explain clearly what the company did. One day I asked them again about their job, and they told me not to worry, that they weren't doing anything illegal. But when they answered my question they seemed nervous.

One day they called me to have dinner at their home. I was shocked to see that twenty people were living in a cramped flat. There were old people, youths, and even children. They all seemed happy to see me. We had dinner together, and they asked if I knew anyone from the Industry and Commerce Department. They said they needed such people to help them sell their goods efficiently. I got a strange feeling from them; I still didn't know what they were actually doing.

Later they called me again and said that there was a very important meeting and that they wanted me to attend. They led me into a big hall next to their home where I saw slogans on the wall like, "Let's struggle to achieve our dreams." They said the hall was their meeting spot. After a few minutes, a man around forty came to the center of the hall and began telling his story. He explained step-by-step how he had earned money and how successful he now was. He said that we could earn as much money as we wanted. I was really impressed by his speech.

I stayed with those people in Shangri-la for almost two years. Throughout that entire time I didn't understand what I was doing. People there told me to invite my friends so that I could promote the business and earn more money. Then I began to hunt for people. In total I invited four college friends. I thought I would earn something, but in fact I got nothing. I couldn't accept that, and wanted to leave, but they said that I couldn't leave and, if I tried to escape, I would be in danger.

Finally, I realized that I was involved in a pyramid scheme and was able to escape. I lied to them, pretending that I was going to hunt for another victim. I told them that the person I

planned on recruiting was waiting for me at the bus station. I had gained their trust and they didn't ask me any questions, thus I was able to escape. Then, I went to the police and told them everything.

Account Two (male, b. 1979, Xiahe County, Gansu Province).

I'm a tour guide. In 2006 I met my first love – a woman from Anhui Province. Though we lived apart we stayed in touch. On 5 June 2007, my girlfriend phoned me and said she wanted me to meet her parents and stay there for a few days. I then took a train to Anhui. My girlfriend met me and told me that she lived nearby with her brother. I went with her to a very small apartment on the third floor and entered a small room. There were one girl and thirteen men in a cramped room. They welcomed me with hugs. Something seemed really strange about it all.

I realized that my girlfriend had deceived me after a few minutes. When I tried to find her, she had vanished. I felt so hopeless. One of the young men came to me and said, "We didn't mean to trick you. We're trying to help you. You can earn a lot of money here." I replied that I wouldn't stay and do illegal things. They became angry. I stood and tried to leave, but they blocked my path. I pushed them away and tried to find a way to escape, but they rushed at me and grabbed me by my neck. No matter how hard I tried, I couldn't move. I was forced to stay there for a few days.

Each room had a boss that every member needed to obey. The boss ate first at the beginning of every meal and then they followed. The members had to do whatever the boss ordered. They said that their company sold cosmetics and other goods, and that you needed to pay 2,800 RMB to be a member.

We only had two meals a day, and every member, except for the newcomers, had to pay six RMB per day as board. We had to attend brainwashing classes three hours daily during which they talked about issues related to money. By my sixth day there, I couldn't resist anymore. I decided to join and find a solution later. That night I told the boss that I wanted to join them. The next day I got money from the bank and paid a membership fee. I got nothing in return except a small piece of paper with my name on it. Then they told me that I should call my family, so I took the

phone quickly and called my mother. I told her that I was with a friend and not to worry, then they forced me to hang up.

Later on, they taught me how to deceive people. First, they told me to list my friends' and cousins' names. Then they asked me about their personalities and current jobs. Later they chose some names and told me to call them. I had no choice since they kept forcing me. So, I called one of my cousins and one of my friends. They both became involved in the end.

I still hadn't given up. I told myself that I needed to leave. I tried to contact the police secretly, but I didn't know my exact location. I eventually managed to escape late one night by jumping from the toilet window. I rushed away as fast as I could and luckily found a taxi and left that place. I had stayed there for almost three months. It was a nightmare. I can still see those unfamiliar faces.

Account Three (female, b. 1989, Lha sa City, Tibet Autonomous Region).

I didn't get a job after I graduated from Tibet University where I majored in Tibetan Language and Literature. I was pressured because most of my friends quickly found jobs. I tried to find jobs on the Internet and in newspapers. Once when I was looking for a job on the Internet, I met a college friend who told me that she had found a job in Shenzhen and the company where she worked was really good. She recommended the company and said that she would help me get a job. I didn't care much about the job but really wanted to see her because we hadn't met for several years. I decided to visit her and took a train directly there. She met me and we had a long conversation on the way to her apartment. When we were about to arrive, she said that she lived with her colleagues – boys and girls all lived together. I said that was fine. After half an hour we arrived and, since I was tired, I went straight to sleep.

The next morning, I saw that my friend hadn't gone to work. When I asked her why, she said that she had permission from the boss, because she wanted to look after me. I felt happy and touched. She took me to see the beautiful scenes of Shenzhen. We hung out for a long time and then returned. When we knocked on the door, I was surprised to see that there were around ten people standing behind the door. They were very

respectful. Once we sat, they started to give us snacks and drinks. They treated us as if we were their bosses.

The next morning I was surprised that my friend still didn't go to work. She said that her company manager was coming to visit. So, we waited and a fat woman, who was supposedly the manager, soon arrived. We talked about finances, management, and so on. She told me that their company sold cosmetics. I felt it was strange at first, but then didn't think much about it.

Later, my friend told me that under the company's system, there were five levels: E, D, C, B, and A. The most advanced level was A and E was the lowest. After selling one product (i.e., got one person to join the company) in this direct sales organization, you became an E-class salesman. Once you sold nine products, you became a D-class salesman. Recruiting ten to sixty-four people made you a C-class director. Sixty-five to 392 recruits made you a B-level executive. After 393, you became an A-class president. She told me that I would earn a lot by recruiting more people. I then realized I was involved in a pyramid scheme.

I had heard that pyramid schemes were everywhere, but I still couldn't believe that my friend had cheated me. I pretended that I knew nothing about their trick, because I was afraid they would treat me badly. In the following days, they kept talking about how their company was different from others and how you could become a billionaire through hard work. I knew that it was time to leave, so I told the manager that I could get some money from my brother. At first, she looked confused and suspicious. However, I persuaded her to let me go get the money. Finally I escaped, and I will never return.

Account Four (male, b. 1986, Lha sa City, Tibet Autonomous Region).

I'm a hotel manager. I was involved in a pyramid scheme in 2008. One of my best friends deceived me. He told me that he was in Guangxi and was working for a company. He said that I could earn a lot of money there. I didn't ask for details since I believed him. I left for Guangxi after a few days without telling my parents, since I was afraid that they wouldn't let me go. When I arrived in Guangxi, my friend sent me a message, saying that he needed to attend a meeting in Beijing, which meant he couldn't

meet me. He said a woman named Zhang Liang would pick me up. I waited for a few minutes and then a woman phoned me. She had gotten my phone number from my friend. She took me to where he worked and said that she and my friend were very close.

We reached our destination after about an hour and entered a small yard with a small flat. I saw many young people there. They all were very respectful. At that time, a woman around thirty years old came to me and introduced herself by saying that she was our boss. She pointed at a room and told me that I could rest there. I didn't talk to them much, but instead had a nap. After a few hours, I heard someone calling me to eat dinner. I saw that all the people were sitting around a big table, waiting for their boss. Once the boss arrived they shouted together, "Good evening boss! Enjoy your meal!" I felt uncomfortable with such abnormal behavior. After the meal, some of them cleaned the table and some washed the dishes. Then they started to play cards. They seemed happy and free.

They stopped their game at around ten p.m. that night and said that it was time to sleep. They asked me many questions that night about how many friends I had and if I knew how to make money. They told me I needed to change my outlook and accept new things to become successful.

I was awakened by loud music early the next morning. Everyone got up and began washing. After breakfast, they said we needed to attend a lecture, and then they took me to a small room with around sixty people. Once I saw the room and all the people in it, I realized that I was in danger; I was involved in a pyramid scheme. I saw a man standing on the stage. He was wearing a black suit and looked very formal. Everybody clapped when he began talking. He talked about finances for almost an hour. We then returned to our room. On the way, they asked me about the speech, and if I thought it was reasonable. I didn't answer. I had to stay there for six months. I was bored by the stupid speeches and bored by the daily routine.

One day, everyone went to attend the speech as usual. I made an excuse to leave, saying that I needed to go to the toilet. They didn't follow me, and then I jumped from the small toilet window to escape. I felt really lucky to escape, but I also felt sorry for those who remained there. I couldn't sleep for many nights afterwards and even had nightmares. I will never trust that friend again.

Account Five (male, b. 1967, Xiahe County, Gansu Province).

I am a herder, but sometimes do small business. My life was very stable and simple until the day my best friend visited and told me about a very good company in Guangzhou where we could make a lot of money. He said that the conditions there were perfect and included benefits like food, accommodation, and so on. At first, I didn't want to go, but later when he elaborated on how much a person could earn in a year, I was convinced and decided to go. I told my family about it and they supported me. I left my home the next day and went with my friend to Guangzhou.

We arrived in Guangzhou after a long trip and my friend took me immediately to the company. I was surprised to learn that the company was not what my friend had described. This so-called company appeared to be nothing more than an apartment that people rented and lived in. Trusting my friend, I asked nothing about it. He led me to a very small room where many people were sitting. Most were Chinese, but there were some Tibetans too. My friend told me to give him my membership fee. He had explained to me earlier that the more money I gave in the beginning, the more profit I would see over time. So, I gave him 70,000 RMB, expecting to eventually get a big return.

Over time, I was surprised to learn that I didn't need to do anything for this bizarre company except sit in an apartment with other people. During the day, people played cards and chatted with each other. There were also people who cooked. During the first few days, the food was good and tasty but, over time, it became worse. I asked my friend many questions about the company, but he never gave me a satisfactory response. He told me that if I got thirty people to join this strange company within one year, then I would receive 600,000 RMB. At that time, I thought of calling my two younger brothers to come, but then decided that was a bad idea. After about ten days, I realized that the company was cheating us and that the people who lived there were breaking the law. I told my friend that I wanted to leave, but he said that if I left, then they would hurt my family. I was scared and worried, and I felt I had no choice but to stay.

I was very concerned and knew that I had made a big mistake. I really wanted to leave, so I told my friend that I was going to find people to join. Then he gave me around 500 RMB to buy tickets and food. I promptly returned home and didn't tell the company anything about where I had gone. I really wanted to

deceive the company, but somehow I felt that I couldn't. Later, I returned to Guangzhou, because I was afraid that they would hurt my family.

I asked my friend how to escape from what I felt was a trap. He told me to give the company 7,000 RMB first and then he would try to help me escape. I don't know what he did, but he finally arranged for me to escape. Altogether, I stayed there for only four months, but it ended up being the most stressful and expensive four months of my life.

Account Six (male, b. 1986, Xunhua Salar Autonomous County, Qinghai Province).

I am a twenty-six-year-old graduate student from Xunhua. After graduating I couldn't find a job, so I did some business with my father. One day, my best friend came to see me. His expensive clothes gave the impression that he was enjoying his life more than I was enjoying mine. We went to a bar that night and talked about our lives. He said he was doing some small business in Chengdu, working in a good store located in a very good shopping center. He said he couldn't handle it alone and asked me if I was interested in helping. I thought it was a great idea to work together.

My father is an experienced businessman and I asked him about my friend's idea. He told me to go to Chengdu to have a look and, if it looked good, then he would support my decision to go there. Then, I went to Chengdu with my friend. My friend showed me the store when we arrived. It looked like a great opportunity, since it was located in the city center. If we could manage it well then there was no doubt that we could earn money. I told my father about it and he sent me 20,000 RMB, which I then gave my friend.

Later, my friend took me to a small flat where many people lived together and told me that we had to stay there for a few days. I was shocked that I would have to stay with strangers. There were many people there, both Tibetans and Chinese.

My friend came to me the next morning and told me that we needed more money for the store. I talked to my father about it and he sent another 20,000 RMB, which I gave to my friend. I asked him to take me to the store so I could help, but he said he could handle it on his own. After a few weeks, I insisted on going

to the store. When he took me there, I was surprised and furious to find someone else working there.

Later, when we returned to the flat, he told me that he had lied to me. I was shocked and very upset, but it was too late. He told me that if I could recruit a few other people, then I would get my money back. I felt helpless and couldn't believe that my best friend had deceived me. Later, I lied and told him that if he let me go, I would return with new recruits. After leaving, I called my uncle and asked him to send me money. That night, I wandered around the city till dawn. The next morning, my uncle's money arrived and I bought a train ticket. Fortunately, I was able to escape from that terrible place and I returned home without a single *yuan*.

Account Seven (male, b. 1985, Jianzha County, Qinghai Province).

I am a twenty-seven-year-old man from Jianzha County, Qinghai Province. I worked as a laborer in Xining and I always felt like I was not earning enough, but I had no other options. One day I met a Chinese man who told me that I could get paid very well if I went with him to Hunan Province. He said that I could invest in a small company where people sold health care products.

At first, I didn't believe him, but after he showed me all the products and pictures of the company offices, I believed him. We left Xining the next day. When we reached Hunan, he took me to a single story house where many people lived together. He told me that they were all working for the same company.

As the day passed, I realized that this was the place where I was to live while I worked. One morning, a man woke me and told me to join my first training class. I followed him to a small room where many people were sitting and facing a blackboard. There was a fat man on the stage talking about how great their company was and how much one person could earn after just one month. He was very effective at motivating us to work for the company.

After the training, we had lunch in the same room where we had class. Considering the lecture we had just heard, I thought that it was strange that our lunch was not enough to feed us all. Days passed and I earned nothing. I stayed there without doing anything meaningful. I felt bored and helpless. I was told that if I convinced people to join the company, I would

be promoted to a higher position where I could get more money. Since I had yet to actually receive any money, I decided to do it and returned home.

When I got home, my family members asked me about the situation in Hunan. I told them that everything was fine. At that time, my younger sister had failed an important exam and had quit school. I decided to take her back to Hunan with me. We both stayed in Hunan for a long time. We thought that if we stayed longer, we would eventually get money, but instead we continued to get nothing.

Company members never let us use phones and followed us wherever we went, making it impossible to escape. During the Tibetan New Year, they let one of us go home because they were afraid that if both of us left, we would not return.

I returned home, borrowed money from villagers, and went back to Hunan. I gave the company 5,000 RMB in exchange for them allowing us to leave. When we returned home, the villagers who had lent me money constantly asked for repayment. Neither my sister nor I had a job, and could not return the money quickly. We eventually sold all of our family's livestock and much of our property in order to repay the money.

NOTABLE FEATURES OF PYRAMID SCHEMES ON THE TIBETAN PLATEAU

There are important similarities to be drawn from these first-hand accounts that characterize certain unique features of pyramid schemes on the Tibetan Plateau. The following analysis examines these similarities in terms of recruitment process, recruitment hierarchy, and confinement.

Pyramid schemes require an investment, thus the act of recruitment emphasizes building trust. As a result, recruitment commonly begins with those one already trusts. In all the accounts, people were deceived by close friends or romantic partners. As noted previously, the most popular choice for finding a job in the surveys was through close friends and relatives. Furthermore, in the second account, new members were forced to call friends and relatives they thought could be potentially recruited. In Account Two, higher status members and newcomers discussed personality types and current jobs of potential recruits.

After initial contact, interested people are encouraged to travel to a distant location to learn more, where they become the center of attention upon arrival. Newcomers are initially treated with respect and kindness. However, if discussions go poorly and the person shows a strong desire to leave, kindness and respect quickly become hostility and aggression, as in the case of Account Two. Great respect is shown to leaders, who typically pay extra attention to newcomers, as in Account Three. As a result, the newcomer is made to feel special and strongly wanted by the organization.

Ambition, greed, and fear all figure prominently in pyramid schemes. Higher-level workers and leaders who originally create the model are driven by greed. If they elude authorities, they make large profits. Those who are not primarily motivated by greed might be motivated by ambition. Leaders who are aware of this ambition will structure the organizational hierarchy such that a person's level of importance is directly related to the number of new members they find. In Account Three, the woman says one can become an executive or president by recruiting a certain number of people. Since there are no additional responsibilities involved, and since the only criteria for advancement is success with recruitment, it is clear that this model plays on the ambition of new members to feel important within the organization.

Recruits are driven by a fear of losing a large investment or of their family members being harmed. The latter seems to be common to this region, but less prevalent in the US. In the accounts, individuals were rarely personally threatened – the focus was on family members. Such fear is motivating, because it is not directly present. Participants are uncertain that pyramid scheme workers will carry out these threats, which is sufficiently frightening to motivate them. As a result, newcomers may feel that failure to do what they are told will result in harm to their family members.

In most accounts, newcomers are strictly forbidden from leaving the small, cramped working area. Recruits do little or no work in this new environment. Residents play cards and have such responsibilities as preparing food and washing dishes. When newcomers are not doing chores, they may be required to attend lectures by charismatic leaders who hold out the prospect of making

huge profits within the company by finding new recruits. Newcomers are usually forbidden to leave these lectures or their living spaces.

After some time, however, the desire to be free from confinement grows and many newcomers begin strategizing on how to leave. As can be seen in the previous accounts, it is common to give money in order to escape. In previous accounts, people pretended to find new recruits, but had to officially join the company in order to make their attempt to find new recruits seem legitimate. The act of joining often involves paying a sum of money. In other cases, people found a moment of solitude and fled. The accounts show that what begins as economic deception often becomes an actively hostile environment in which a person is held against their will. Although these schemes take place in what are supposedly corporate environments, new recruits' attempts to escape are similar to the act of paying a ransom to escape kidnappers.

INSTITUTIONAL CHANGES FOR PYRAMID SCHEME PREVENTION

Rapid socioeconomic change in China has created circumstances for pyramid schemes to flourish on the Tibetan Plateau. The drive to find employment outside the home is a predictable result of the move towards a market economy and the proletarianization of the population. The best way to mitigate the development of pyramid schemes is to provide multiple mechanisms for awareness among young job seekers. In this respect, we suggest that literature about pyramid schemes needs to be written in languages besides Chinese. As noted previously, there is a stark difference between the extent to which Tibetans and Han Chinese learn about pyramid schemes through reading, because more literature exists in Chinese which is more widely distributed than Tibetan literature. Mitigation of the effects of pyramid scheme development on the Tibetan Plateau might be attempted by distributing materials raising awareness among minority populations.

Educational institutions might also better prepare young people for the job market. The generational gap with regard to seeking outside employment makes it harder for younger generations

to receive sound advice from parents and elders on finding legitimate employment opportunities. Schools could fill this gap by providing information on pyramid schemes and avoidance strategies. Based on our research, the least common method of learning about pyramid schemes is from educational institutions. This could easily change by mandating education about pyramid schemes.

The government might reduce disparity between Tibetan and non-Tibetan job competitiveness by subsidizing contractors that hire Tibetans. Minimizing the intensity of competitiveness will increase the chances of Tibetans finding suitable jobs. Furthermore, the government should offer vocational training programs in villages to help poor farming families or recently sedentarized herders. If vocational training programs are widely implemented, it will be increasingly possible for individuals seeking employment outside the subsistence sector to find legitimate jobs. This benefits the government by making herders less dependent on government subsidies.¹⁹

These above suggestions, if implemented, would reduce the desire for involvement in pyramid schemes by both raising awareness and reducing overall job desperation. The government clearly wants to shape the Tibetan Plateau into an economy based less on subsistence and more on market forces. Accomplishing this goal will require the government to make policies that not only improve employment opportunities but also prevent economic traps like pyramid schemes.

PERSONALLY AVOIDING PYRAMID SCHEMES

Cautionary tales often lead readers to think, "That would never happen to me." Most people in the accounts presented above probably felt the same way. Within the pyramid scheme trap, people may succumb to pressures and do things they will later regret, such as exploiting relationships with family and friends. The best way to

¹⁹ For more information on the effects vocational training might have for recently displaced nomads see (Ptackova 2012).

avoid such situations is by knowing what signs to look for when job-seeking.

First, all pyramid schemes require investments, because pyramid schemes make money by taking money from new recruits. This 'investment' may be called a participation fee, an advance, or a membership fee. Working for a company should involve receiving, not giving money. Finding an appropriate investment opportunity can be quite complicated, and should require a significant amount of research to ensure that there will be a return. A contract or legally binding agreement should be made that protects the investor, whether the investment occurs as the basis of a business partnership, a startup cost, or an investment in the stock market. Furthermore, no investment should be required in order to become an employee of a legitimate company.

Second, pyramid schemes usually require little actual work. Most members are passive recipients of information that is meant to convince them that the company actually does something. As a general rule, making money requires production. If that 'production' is finding new employees who then find more new employees, then no marketable goods are being produced.

Third, all companies have a product of some sort. Caution should be exercised if a company is vague about what is being sold. Furthermore, an employee's role should fit into the production or distribution of the product. There is probably no real product if the new role is unrelated to product production or distribution, or if the product is not the main source of the business's income. In cases where a person is told to sell a product or find other employees to sell the product, it is important to learn how marketable the product is. In some cases, pyramid schemers will have an actual product, but the product is unsellable, which means the investor has lost their investment by buying the product, or are in a situation where they must convince others to join the company to help sell products that cannot be sold.

Fourth, pyramid schemers try to persuade victims that joining their company is an easy way to make money. Most legitimate companies do not like to emphasize how easy their new job will be. In fact, companies often tell new employees that the job will be

challenging, but that hard work leads to success. Making money almost always requires creative thinking and hard work. Companies that try to convince new members otherwise are likely scams.

Finally, legitimate companies have clear guidelines and rules that create clear boundaries. Most companies have rules because they serve a clear purpose within their business model. If a company creates rules that only confine employees, it is clear that the company is engaged in illegal activity. Most companies only want willing employees who are free to leave if they are no longer interested in working.²⁰ Furthermore, most companies have a specific department for hiring employees and do not ask employees to do the hiring. A company that has rules requiring new employees to find a certain number of people to join, or rules restricting new employees from leaving the company, is probably a pyramid scheme.

CONCLUSION

Life on the Tibetan Plateau is rapidly changing. Subsistence farming and herding are becoming less viable options and increasing numbers of young Tibetans are forced to look for work in the market economy. Tibetan job seekers typically start by approaching friends and relatives, and are usually comfortable with making an initial investment. Pyramid schemes have been successful among Tibetans because there is a lack of awareness of such schemes and a dearth of quality vocational training, as the demand for new sources of income increases. By making such fundamental institutional changes as creating vocational programs, producing literature on pyramid schemes in languages other than Chinese, mainstreaming lessons on pyramid schemes in educational institutions, and subsidizing contractors who hire local Tibetans, the overall prevalence of pyramid schemes and the number of victims can be drastically reduced across the Tibetan Plateau.

²⁰ Though certain legal companies, especially in the manufacturing sector, do threaten to not pay employees who attempt to breach their contracts by leaving early.

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NON-ENGLISH TERMS

Anhui 安徽

Bai 白

China Anti-Pyramid Selling Association, zhōngguó fǎnchuánxiāo
xiéhuì 中国反传销协会

Deqing 德钦

Gansu 甘肃

Guangxi 广西

Guangzhou 广州

Hui 回

Hunan 湖南

Jianzha 尖扎

Lha sa ལ་ས་

Lisu 傣傣

Miao 苗

Qinghai 青海

Rgyal yum sgrol ma རྒྱལ་ཡུམ་སྐྱོལ་མ།

Tongren 同仁

Tu 土

Xiahe 夏河

Xining 西宁

Xunhua 循化

yuan 元

Yunnan 云南